

Illinois Power Company
Response to Illinois Commerce Commission Data Request
I.C.C. Docket No. 05-0105

Company Representative Responsible: Brian H. Martin
Title: Consulting Environmental Scientist
Ameren Services Company
Environmental Safety & Health

Telephone: 314.554.2233

Cleanup Goals and Activities

SDR-001 **Describe with specificity how the actions undertaken by the Company comply with each of the four prudence standards contained in the Commission's Order in Docket Nos. 91-0080 through 91-0095 (Consolidated).**

Response Costs were prudently incurred as described in my testimony and met prudence standards defined by the Commission. These are (1) reasonable and appropriate business standards, (2) the requirements of other relevant state and/or federal authorities, (3) minimization of costs to ratepayers consistent with safety, reliability and quality assurance, and (4) facts and knowledge the Company knew or reasonably should have known at the time the expenditures were made.

AmerenIP has identified those MGP sites that it has, or may have, responsibility to remediate. AmerenIP has assigned a priority to those sites and addressing the remediation of the sites as expeditiously as practical. AmerenIP has consulted with the Illinois EPA, which has approved of AmerenIP's approach to the investigation and remediation of these MGP sites.

AmerenIP follows appropriate procedures to secure competitive pricing for services related to MGP remediation and cleanup. In addition, site investigation work is performed in compliance with relevant Illinois EPA Tiered Approach to Remedial Action Objectives (TACO). Compliance with TACO enables AmerenIP to use a flexible approach to arrive at the required environmental risk reduction based on site-specific data.

AmerenIP has staff personnel monitor all work performed at MGP sites to ensure that it is done in accordance with appropriate standards of practice and relevant regulations.

In order to minimize the financial impact of MGP cleanups on our customers, AmerenIP filed suit against its insurers and obtained substantial settlements, this proceeds of which are being used to support MGP cleanup activities.

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SDR-002 This request pertains to the level of environmental cleanup required at each MGP site.
a. For each MGP site, describe the level of environmental cleanup required.
b. List the steps that must be taken to obtain the level of environmental cleanup required.
c. Explain and evaluate any alternative levels of environmental cleanup that may be applicable for each site.

Response a. The required level of environmental cleanups must adequately protect human health and the environment. To meet this level of protection in the most cost-effective manner, the Illinois Environmental Protection Agency allows cleanup objectives to be based on risk assessments based on site-specific information. Development of risk-based cleanup objectives requires the specification of acceptable health risk values associated with chemicals of concern allowed to remain at the site. For non-carcinogenic contaminants, a hazard quotient equal to 1 is used. For carcinogenic soil contaminants, the baseline target cancer risk is 10^{-6} . When certain engineered barriers and/or institutional controls are employed, target cancer risks of up to 10^{-4} may be allowed. For groundwater chemicals of concern, the baseline cleanup objectives are based on standards and health advisory procedures found in 35 IL. Admin. Code 620 and are not necessarily equivalent to a 10^{-6} target cancer risk. This process has been formalized in 35 IL. Admin. Code 742 which was effective July 1, 1997. This regulation is called "Tiered Approach to Corrective Action Objectives" or TACO.

- b. To establish cleanup objectives using TACO, a complete remedial investigation must first be performed to adequately assess the degree and extent of contamination with site-specific conditions. Next, cleanup objectives are developed using TACO based on exposure routes, receptors, chemicals of concern, property uses, engineered barriers, institutional controls, groundwater classification, soil attenuation capacity, soil saturation concentration and community acceptance.

At each step of this process, the company obtains IEPA comments and approval to insure the IEPA is in agreement with the investigation methods and assumptions.

- c. Methods to achieve the established cleanup objectives are developed and evaluated for cost and effectiveness. The Company presents its preferred alternative to the IEPA for approval. The preferred alternative is the least cost method that adequately protects human health, the environment and complies with the TACO program. If the IEPA agrees, then detailed plans and specifications are developed to implement the specified remedy. The typical preferred alternative is a combination of soil removal, engineered barriers and institutional controls as necessary to mitigate environmental risk at the lowest cost.

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Cleanup Goals and Activities

SDR-003 **Has the Company ever received a site remediation letter from the Illinois Environmental Protection Agency indicating that no further remediation is required at a specific MGP site? If yes, provide a copy of each site remediation letter received.**

Response Yes. The Company has received No Further Remediation (NFR) or Section 4(y) letters for the Staunton, Greenville and Decatur Remote Holder sites. Copies of these letters are attached.

In 2004, AmerenIP completed the necessary activities for an NFR letter at the Granite City A MGP Site, subject to IEPA review.

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Cleanup Goals and Activities

SDR-004 **Describe how the Company monitors the actual on-site investigation and remediation activities.**

Response The Company monitors on-site investigative and remedial activities in several ways:

- All budgets and project specifications are reviewed and approved before the contractor goes into the field.
- Any budget or scope changes that are required because of field conditions are evaluated and approved by the Company before they are implemented.
- Company personnel are at the site when the project begins, at critical project milestones, and periodically throughout the project.
- The Company also solicits the IEPA for written comments and approvals for work plans to ensure that planned work will meet the IEPA's requirements.

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Cleanup Goals and Activities

SDR-005 This request pertains to the Company's forecasting of MGP environmental cleanup costs for the reconciliation period.

- a. Explain the forecasting methods used by the Company to determine MGP environmental cleanup costs for the reconciliation period.**
- b. Describe how the forecasted cost amounts were determined.**
- c. Include explanations for each instance where the actual costs, by site or account code, deviated from the forecast costs by 10% or more.**
- d. Explain how these cost forecasts were used by the Company for the reconciliation period.**

Response

**Amended
05/06/2005**

- a. The Company prepares an annual MGP budget. Expenses are estimated based on the expected level of investigation or remedial activity and current regulatory requirements. Each year, the status of its MGP obligations is modified according to experience, new information and changing regulations. The basis for the modification is the level of work expected to be completed in the subsequent year. Changes to the budget/planned activities may also change throughout the year based on new information.
- b. Same as a.
- c. In 2004, unplanned costs were incurred during the Granite City A MGP cleanup. The original cleanup estimate was approximately \$200,000. The Remedial Action Plan called for the excavation of approximately 2,300 tons of contaminated soil. During the course of the cleanup, we discovered that approximately 4,300 tons of soil had to be removed in order to achieve the IEPA's cleanup objectives.

This resulted in a doubling of the project cost to approximately \$400,000. The extra cost was due to the additional soil excavation and the additional air monitoring and other site activities that had to be extended over the course of the project. The company negotiated alternative project terms with Philip Services after the additional contamination was discovered. We were able to eliminate many equipment standby and mobilization charges for the extended project. The alternative terms reduced the potential cost increase by approximately \$75,000.

- d. These cost forecasts are used in conjunction with activity forecasts to arrive at the Company's annual MGP budget.

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Purchasing and Contracting

SDR-006 **Provide a copy of all written procedures for MGP environmental cleanup purchasing and contracting that were in effect during the reconciliation period or that were in effect when past MGP environmental cleanup purchases and contracts were made that extended into the reconciliation period.**

Response Attached hereto are guidelines for the Purchasing and Material Control Department to follow when procuring MGP services. This procedure was adopted in May 18, 1999 and was in effect through 2004.

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Purchasing and Contracting

SDR-007 **Provide the date when the MGP environmental cleanup purchasing and contracting procedures were most recently changed, identify each procedure that was changed, and explain why each change was made.**

Response The Purchasing and Material Control Bidding Requirements were changed November 5, 1992. The procedure change was a result of reengineering of the Supply Service Process at the Company. The goal of this change was to allow personnel to respond more quickly to customer needs with minimal economic risk. A later version of these requirements was issued on May 12, 1993, when the Company placed its corporate procedures on the Company's computer network. The most recent Purchasing Procedure is dated May 18, 1999. There are no material changes to the bidding process from the earlier versions to the May 18, 1999 procedure.

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Purchasing and Contracting

- SDR-008** This request pertains to the general management evaluations, assessments, and/or reviews of the MGP environmental cleanup purchasing and contracting procedures.
- a. Provide the date of the three most recent general management evaluations, assessments, and/or reviews of MGP environmental cleanup purchasing and contracting procedures.
 - b. Provide a copy of all reports and/or summaries of these general management evaluations, assessments, and/or reviews.
 - c. List and explain any changes or modifications made to the purchasing and contracting decision-making process as a result of the these general management evaluations, assessments, and/or reviews.
- Response** a. The Company's procedures are evaluated on an as-needed basis. The May 18, 1999 procedure for bidding requirements is the most recent procedure. This procedure was in effect during 2004.
- Amended
05/06/2005**
- b. There are no reports or summaries of the general management evaluations, assessments and/or reviews.
 - c. Purchasing and contracting procedures are modified based on management review of current practices to minimize cost and provide a more efficient bidding/contracting process.

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Purchasing and Contracting

SDR-009 Explain how purchasing and contracting decisions for MGP environmental cleanup costs were included in the corporate planning and budgeting process during the reconciliation period.

Response

**Amended
05/06/2005**

- a. The Company's procedures are evaluated on an as-needed basis. The last three evaluations resulted in revised corporate procedures attached as Schedule SDR-006.1. The May 18, 1999 procedure for bidding requirements is the most recent procedure. This procedure was in effect during 2004.
- b. There are no reports or summaries of the general management evaluations, assessments and/or reviews. The revised procedures in Schedule SDR-006.1 are the outcomes of such reviews.
- c. Purchasing and contracting procedures are modified based on management review of current practices to minimize cost and provide a more efficient bidding/contracting process.

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Purchasing and Contracting

SDR-010 This request pertains to the Company's procedures for MGP environmental cleanup purchasing and contracting decisions.

- a. Identify the management level at which purchasing and contracting decisions for MGP environmental cleanup costs were made during the reconciliation period.
- b. If different procedures were applied at progressively higher cost amounts, describe in detail the procedures for each of the cost amounts.

Response

**Amended
05/06/2005**

- a. The Manager of Environmental Services is responsible for purchasing and contracting decisions for MGP remedial management costs up to \$25,000. Based on the level of expenditure, higher management level approval is required. Approval authorities were changed in 2004. Schedule SDR-010.1 and 010.1.1 provide details.
- b. Schedule SDR-010.1 and 010.1.1 detail the procedure for approvals based on the level of cost.

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Purchasing and Contracting

SDR-011 This request pertains to the Company's notification to potential suppliers of goods and services of the Company's intent to purchase or contract goods and services for the environmental cleanup of MGP sites.

- a. Identify all procedures used by the Company to ensure that every reasonable effort was made to notify all available suppliers of the goods and services required for the environmental cleanup of MGP sites before new purchases were made, or before new contracts were awarded to a supplier during the reconciliation period.
- b. Describe all related actions taken by the Company before any new purchases were made or before any new contracts were awarded during the reconciliation period.
- c. Describe the instances when only one supplier was notified, and explain how costs were thus minimized.
- d. Identify all instances when the lowest bid for goods and services required for the environmental cleanup of MGP sites was rejected, and explain the reasons for the rejection.

Response

**Amended
05/06/2005**

- a. During the 2004 reconciliation period, IP continued to use Philip Services as its main MGP contractor based on the 1996 Alliance Contract and subsequent renegotiated provisions. This was based on Philip's continued successful performance and rates at or below other comparable firms.

The alliance contract, signed in 1996, reduced Philip's rates for labor and equipment below the previous competitively bid contract rates. The alliance was tested in 2000 by

competitively bidding the Interim Remedial Measures at the Litchfield site. Philip was the low bidder for the Litchfield Interim Remedial Measures. Philip's labor and equipment rates were unchanged in 2004.

- b. The Company successfully renegotiated rates with its two major MGP contractors, Philip Services and Teklab in 2004. As a result of negotiations, Philip Services and Teklab rates remained constant in 2004.
- c. See a.

In 2004, no instances occurred in which the lowest bid for goods and services was rejected.

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Purchasing and Contracting

SDR-012 Explain how the Company evaluated each contract renegotiation position that was proffered by a contracted supplier of the goods and services required for the environmental cleanup of MGP sites during the reconciliation period.

Response The response to SDR-009 provides the Company's renegotiation criteria. In addition, the Company reevaluated the scope of services during review of the Alliance contract with Philip to determine if there were opportunities to reduce or expand the scope to realize cost reduction. Based on this review, Philip agreed to reduce its non-union remediation labor rates.

**Amended
05/06/2005**

The Company shipped most of its MGP waste to landfills operated by Waste Management Incorporated in 2004. The selection of Waste Management was based on several factors. The Company has a long-term relationship with Waste Management (WM) for disposal of MGP and other waste. This relationship is based on Waste Management's price, minimization of liability to the Company due to the quality of WM's facilities and previous use of WM's facilities. The Company leverages its high volume of MGP and other waste to arrive at a favorable disposal price. The Company has received preferred pricing for its MGP waste at Waste Management Landfills. Waste Management's price for IP has not changed since 2000. The company currently enjoys a 15% discount off of WM's standard special waste rates. Lower project-specific disposal rates can be negotiated based on the volume of waste. In addition to the discounted rates provided by Waste Management, the Company also enjoys reduced transportation costs because Waste Management facilities are often located near the Company's MGP sites.

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Purchasing and Contracting

SDR-013 Explain how the Company formulated each contract renegotiation position that it offered to a contracted supplier of the goods and services required for the environmental cleanup of MGP sites during the reconciliation period.

Response The Company's contract renegotiation positions for contractors was based on the Company's objectives as outlined in the response to SDR-009, MGP experience and market conditions in the consulting industry. Competitive bids are used occasionally (see response to SDR-011) to assure that the Company is paying the best possible rates. In addition, unsolicited proposals and qualifications packages are evaluated when possible to compare against the Company's current arrangement.

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Purchasing and Contracting

SDR-014 This request pertains to the Company's monitoring of MGP environmental cleanup purchases and contracts.

- a. Explain how the Company monitored MGP environmental cleanup purchases and contracts during the reconciliation period.**
- b. Document all changes made as a result of these monitoring efforts.**

Response The Company has procedures in place as described in the response to SDR-004 to ensure the quality of goods and services purchased. Furthermore, contracting procedures described in responses to SDR-006, SDR-007 and SDR-010 guide the management of environmental cleanup purchases and contracts. Company staff monitors field activities to confirm that a project's contractual scope-of-work is completed. After products or services are provided, Company staff reviews detailed invoices from the providers before final approval.

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Purchasing and Contracting

SDR-015 Identify and explain any factors that limited the Company's available purchasing and contracting options for the goods and services required for the environmental cleanup of MGP sites during the reconciliation period.

Response There were no limitations on the Company's available purchasing and contracting options for the goods and services required for the environmental cleanup of MGP sites during the reconciliation period.

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Purchasing and Contracting

SDR-016 Identify and explain all efforts that the Company made during the reconciliation period to take advantage of favorable market conditions to renegotiate its contracts or to purchase from alternative market sources the goods and services required for the environmental cleanup of MGP sites. If no contract renegotiations were attempted, explain why not.

Response See responses to SDR-006, SDR-009, SDR-011, SDR-012 and SDR-018.

**Amended
05/06/2005**

In 2004, the Company renegotiated rates with its two main MGP vendors, Philip Services and Teklab. The result of the negotiations was no rate increase for 2004.

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Purchasing and Contracting

SDR-017 This request pertains to any occurrences when the Company made purchases or entered into contracts using criteria other than minimizing the cost of the environmental cleanup of MGP sites.

- a. List any occurrences during the reconciliation period when the Company made purchases or entered into contracts using criteria other than minimizing the cost of the environmental cleanup of MGP sites.
- b. For each occurrence, explain the circumstances, quantify the extra costs incurred, and explain what, if anything, can be done to prevent extra costs of this type from being incurred in the future.
- c. Provide all documentation pertaining to each occurrence.

Response

**Amended
05/06/2005**

- a. The Company did not enter into any contracts in 2004 that were based on criteria other than minimizing the cost of the environmental cleanup of MGP sites.
- b. Not applicable.
- c. Not applicable.

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Purchasing and Contracting

SDR-018 This request pertains to the Company's procedures to minimize MGP environmental cleanup costs.

- a. Explain with specificity the procedures used by the Company to minimize MGP environmental cleanup costs.
- b. Give a detailed description of these procedures as they related to all purchasing and contracting decisions for MGP environmental cleanup costs made during the reconciliation period.

Response See responses to SDR-001 and SDR-004.

**Amended
05/06/2005** The Company strives to minimize costs in several ways:

- Contractor rates are evaluated and renegotiated on an annual basis. IEPA is consulted during project evaluations to identify acceptable remedial alternatives. Note that IEPA does not participate in cost decisions, but they determine the acceptability of the various remedial alternatives that will achieve the appropriate risk reduction. It is then left to the Company to choose the alternative that meets the risk reduction goal for the lowest cost.
- The Company is a member of several trade organizations such as EPRI and the Gas Technologies Institute (GTI). These organizations provide information regarding new and innovative investigation methods and cleanup technologies, which reduce cost. These organizations also provide data and technical reports that are used to convince the IEPA to reduce the need for

site-specific information. This reduces the cost of site investigations.

The Company is a member of Edison Electric Institute and the Illinois Environmental Regulatory Group (IERG). These groups review and comment on federal and state regulations. Smaller committees of these organizations have been formed to specifically review regulation relating to MGP sites. These groups have been successful in providing information to the federal and state regulators resulting in more reasonable regulations. A committee under EEI successfully argued in federal court that certain testing procedures were not appropriate to determine, if MGP waste were hazardous. Recently, IERG has helped the Illinois utilities to implement this court ruling in Illinois.

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Review of Actions

SDR-019 This request pertains to the Company's after-the-fact evaluations of its purchasing and contracting decisions for MGP environmental cleanup costs.

- a.** How often are after-the-fact evaluations conducted by the Company to review its purchasing and contracting decisions for MGP environmental cleanup costs?
- b.** Provide a copy of all documents pertaining to these evaluations.
- c.** Identify any decisions, recommendations, policy changes, and new procedures that have resulted from these evaluations.
- d.** Provide the date when the three most recent after-the-fact evaluations were conducted and provide copies of those reports.
- e.** List and explain any changes or modifications made to the purchasing and contracting decision-making process as a result of the after-the-fact evaluations.

Response

- a.** No specific after-the-fact evaluations are made of purchasing and contracting decisions. Any concerns associated with a specific purchase or contract are addressed immediately, as explained in the response to SDR-004 and SDR-022. Any concerns relative to a specific purchase or contract are addressed in annual renegotiations as described in the response to SDR-012 and SDR-013.
- b.** Not applicable.
- c.** Not applicable.
- d.** Not applicable.
- e.** Not applicable.

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Review of Actions

SDR-020	This request pertains to the Company's audits of its purchasing and contracting decisions for MGP environmental cleanup costs. <ul style="list-style-type: none">a. How often are the MGP environmental cleanup purchasing and contracting functions audited by management using internal or external auditors?b. Provide the dates when the three most recent audits were conducted and provide copies of those audit reports.c. List and explain any changes or modifications made to the purchasing and contracting decision-making process as a result of these audits.
Response	The Company has not conducted formal audits of its purchasing and contracting decisions for MGP environmental cleanup costs.

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Quality Control

SDR-021 Explain the procedures used to verify the quality of the items and services purchased or contracted for regarding the environmental cleanup of MGP sites.

Response The Environmental Programs Department of Illinois Power Company (Company) is responsible for conducting Environmental Audits of external companies that could potentially constitute environmental risk to the Company. These companies may include:

- Recyclers
- Hazardous Waste Treatment, Storage, and Disposal Companies
- Sanitary and Hazardous Waste Landfills
- Laboratories
- Used Oil Brokers
- Scrap Metal Dealers
- Remediation Contractors and
- Waste Haulers

See the response to SDR-004 for additional detail.

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Quality Control

SDR-022 This request pertains to the policies and procedures for the quality control of items and services purchased or contracted for regarding the environmental cleanup of MGP sites.

- a. What are the Company's policies and procedures for dealing with items and services purchased or contracted for regarding the environmental cleanup of MGP sites that failed to meet quality and contract specifications?
- b. List each occurrence when items and services purchased or contracted for regarding the environmental cleanup of MGP sites failed to meet quality and contract specifications.
- c. Provide documentation of any related actions taken by the Company during the reconciliation period. If no documentation can be provided, explain why not.

Response a. Items and services that do not meet the quality and contract specifications are rejected. No payment is made for rejected items or services. The oversight procedures as outlined in SDR-004 serve as quality control.

**Amended
05/06/2005**

- b. In 2004, no goods or services were rejected for failure to meet quality and contract specifications .
- c. No documentation of rejected good or services is available because no such rejections occurred in 2004.